# BEFORE THE POSTAL RATE COMMISSION WASHINGTON, D.C. 20268-0001

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POSTAL RATE SUMMIT, CICK OFFICE OF THE SLOURS ARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KAY TO INTERROGATORY OF THE ASSOCIATION OF PRIORITY MAIL USERS, INC. (APMU/USPS-T23-1)

The United States Postal Service hereby provides the response of witness Kay to the following interrogatory of the Association of Priority Mail Users, Inc.:

APMU/USPS-T23-1, filed on March 23, 2000.

The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr. Chief Counsel, Ratemaking

Eric P. Koetting

475 L'Enfant Plaza West, S.W. Washington, D.C. 20260–1137 (202) 268–2992 Fax –5402 April 6, 2000

# RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KAY TO INTERROGATORY OF ASSOCIATION OF PRIORITY MAIL USERS

APMU/USPS-T23-1. Please refer to witness Kashani's response to MPA/USPS-T14-2, both at pages 8-10 of the narrative response as well as Attachment I (Mail Processing Adjustment for Redistribution of Rehabilitation Program), pages I-2. Witness Kashani explains that the costs associated with the Rehabilitation program "were erroneously distributed to Priority Mail in mail processing in FY 2000. This miscalculation overstates Priority Mail costs by approximately \$46 million in that year... "Witness Kashani then makes what he calls a "Priority Mail Correction," reducing Priority Mail costs by \$46.350 million. Please provide a similar correction to the incremental costs of Priority Mail.

#### RESPONSE

Attachment 1 to this response estimates the effect of witness Kashani's correction on incremental cost estimates for all classes of mail, including Priority Mail. The correction is estimated to reduce Priority Mail incremental cost by \$48.509 million in Test Year 2001 (After Rates). Column 1 of Attachment 1 shows the BY 1998 volume variable cost for mail processing, as shown in USPS-LR-I-150, folder IC Model/R00-1, file ICSummary.xls, tab 'Independent VVC'. column 7. Column 2 of Attachment 1 shows the BY 1998 volume-related incremental cost for mail processing, as shown in USPS-LR-I-150, folder IC Model/R00-1, file ICSummary.xls, tab 'IC Independent', column 4, minus product specific costs show on tab 'Prod Spec', column 1. Column 3 of Attachment 1. shows total Test Year 2001 (Before Rates) incremental cost, from Table 1A of my testimony. Column 4 of Attachment 1 shows total Test Year 2001 (After Rates) incremental cost, also from Table 1A of my testimony. Columns 5 and 6 are the estimated dollar impact on Test Year 2001 (Before Rates) and Test Year 2001 (After Rates) volume variable cost, from USPS LR-I-198. Column 7 calculates the estimated dollar impact on Test Year 2001 Before Rates

## RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KAY TO INTERROGATORY OF ASSOCIATION OF PRIORITY MAIL USERS

incremental cost. This is calculated as the ratio of Base Year 1998 volume-related incremental cost divided by Base Year 1998 volume variable cost times the Test Year 2001 (Before Rates) dollar impact on volume variable cost from column 5. Column 8 calculates the estimated dollar impact on Test Year 2001 (After Rates) incremental cost, calculated in a similar fashion. Columns 9 and 10 show what total incremental cost for Test Year 2001 (Before Rates) and Test Year 2001 (After Rates) would be if these estimates were incorporated into the analysis.

#### RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KAY TO INTERROGATORY OF ASSOCIATION OF PRIORITY MAIL USERS

#### ATTACHMENT 1. IMPACT OF CORRECTING DISTRIBUTION OF REHABILITATION PROGRAM ON TEST YEAR INCREMENTAL COST

PRESCRIT CARDS   1,287,988   1,287,989   1,287,989   5,218,914   4,805   4,809   4,829   4,805   4,809   4,829   4,805   4,809   4,829   4,805   4,809   4,829   4,805   4,809   4,829   4,805   5,805,817   7,805   5,805,817   7,805   7,8	SERVICE COLUMN NUMBER	BY 1998 MAIL PROCESSING	PROCESSING	Carrie Co	4 36 4	IT AND LOCKER				TY 2001 (BR) TOTAL	TY 2001 (AR) TOTAL
The CLASS, SUBCLASS, OR SPECIAL   CULVE   COLUME   COLU	SERVICE COLUMN NUMBER	PROCESSING	PROCESSING 1			· POPALIOF	IMPACT OF	INCREMENTAL COST	INCREMENTAL COST OF	INCREMENTAL COST	INCREMENTAL COST
CASS_SUBCLASS_OR SPECIAL   VOLUME   VARIELE COST	SERVICE COLUMN NUMBER		White Section Africa			CORALCIUM				WITH COPRECTED	Milk COscetati
COLUMN NUMBER   (1)   (2)   (3)   (4)   (6)   (6)   (7)   (8)   (7)   (8)   (7)   (8)   (7)   (8)   (7)   (8)   (7)   (8)   (7)   (8)   (7)   (8)   (7)   (8)   (7)   (8)   (7)   (8)   (7)   (8)   (7)   (8)   (7)   (8)   (7)   (8)   (7)   (8)   (7)   (8)   (8)   (7)   (8)   (8)   (7)   (8)   (8)   (7)   (8)   (8)   (8)   (7)   (8)   (8)   (8)   (7)   (8)	SERVICE COLUMN NUMBER	してき おりま								DISTRIBUTION OF REHABILITATION	DISTRIBUTION OF REMABILITATION
COLUMN NUMBER CALCLA TORS REFERENCE    III	COLUMN NUMBER									PROGRAM	PRUGRAY
REFERENCE	ICALCIE ATIONS	(1)	(2)	(3)	(4)	(5)	(6)			(9)	(10)
CSummary July   Columnary July   Colum						100 1 400 010	121425	=C5 x (C2/C1)	=C6 x (G2/C1)	=C3+C7	=C4+C8
Telephone Col	MEFERENCE					UK+196, C12	UK-1-198, C13			i,	
FREST-CLASS MAL:   SHOULP PICT LETTERS   S,073,478   S,252,095   14,289,864   14,179,317   19,756   16,756   17,379	,										
2 SNOLE-PECE LETTERS		C7	Prod Spec' C1								
PRESCRIT LETTERS					44.230.043	44.774		47 040	47.576	*****	44 400 000
SINCLE-PICE CARDS   588,017   588,050   30,300   31,4731   170,000   144   140   144   1									17,276 4,923	14,277,943 5,223,843	14,195,583 5,193,837
PRESORT CARDS									4,223	560,529	553,324
6 TOTAL PRIST-CLASS 6,564,022 8,883,032 20,833,860 20,005,860 22,425 22,299 23,535 23 7 PROPERTY MAR. 646,933 669,967 3,842,965 3,441,955 (51,573) (48,439) (51,849) (48 8 EXPRESS MAR. 84,000 93,407 719,220 723,701 357 360 387 9 REGOLAR 84,000 93,407 719,220 723,701 357 360 387 9 PROPERTY 13,182 13,182 13,182 12,182 82,823 82,088 42 42 42 42 17 DUSSEC COUNTY: 13,182 13,182 13,182 82,823 82,088 42 42 42 42 18 PACOURTY: 19 PACOURTY:									141	174,875	170,941
B   EXPRESS MAIL   SQL00   SQL00   SQL00   T12   T1917   T1026   O   O   O   O   O   O   O   O   O		6,556,422							23,403	20,957,414	20,824,092
MAIL GRAMES									(48,500)	3,501,818	3,393,418
PERIODICALS:   13,102   13,102   13,102   12,006   42   42   42   42   42   42   42   4									380	719,577 1,016	724,081 1,027
10		1/2	1/2	7,017	1,020	<u> </u>			Y	1,070	1,ME7
CUTSIDE COUNTY:   REGULAR   STB,005   STB,00		13,162	13,162	62,923	62,096	42	42	42	42	12,615	82,140
14   NON-PROFIT   90,154   90,201   372,301   300,717   290   314   290     15   CLASSROM   5,203   5,202   14,321   14,071   16   16   18     16   TOTAL PERIODICALS   680,942   683,677   2,529,870   2,497,245   2,398   2,382   2,407   2     17   STANDARD MAIL (A):	OUTSIDE COUNTY:			Į							
15   CLASSRICOM   5,203   5,202   14,321   14,071   16   16   16   16   16   16   17   17									1,997	2,052,308	2,002,328
16   TUTAL PERIODICALS   600,942   603,677   2,528,670   2,497,245   2,398   2,362   2,407   2     17   STANDARD MAIL (A):   91,256   91,278   91								*****	314 16	372,600 14,337	391,032 14,087
17   STANDARD HAIL (A):   91,256   91,276     -   -   -   -   -									2,371	2,532,277	2,499,618
18   SINGLE-PIÈCE RATE   91,258   91,278   91,278   91,278   92,291   2,675,104   2,617,128   991   989   982   982   982   983											
20   ENHANCED CARR RTE   292,988   292,911   2,675,104   2,617,126   991   989   982     21   REGILAR   2,001,198   2,001,058   7,242,221   8,377,225   8,441   8,100   8,521   8     22   TOTAL COMMERCIAL   2,332,757   2,367,578   10,136,805   8,787,880   9,432   9,089   9,532   8     23   AGGRÉGATE NONPROPTT:   44,985   44,980   212,855   1,520,788   185   162   185     24   NONPROPT   412,446   413,235   1,339,791   1,334,443   1,524   1,513   1,527   1     26   TOTAL AGGREG NONPROPTT   457,423   458,345   1,554,011   1,544,778   1,689   1,678   1,578   1,593   1     27   TOTAL STANDARD (A)   2,881,438   2,919,280   11,812,270   11,431,873   11,121   10,745   11,267   10     28   STANDARD (A)   (B):   29   PARCELS ZONE RATE   261,341   241,580   1,056,885   1,079,739   888   865   867     30   BOUND PRINTED MATTER   125,381   125,401   466,691   462,380   310   310   310     31   SPECIAL STANDARD (B)   450,101   450,844   1,975,657   1,830,237   1,800   1,774   1,806   1,774   1,806   1,7774   1,806   1,7774   1,806   1,7774   1,806   1,7774   1,806   1,7774   1,806   1,977,657   1,800,237   1,800   1,7774   1,806   1,806   1,7774   1,806   1,807,657   1,800,237   1,800   1,7774   1,806   1,807,657   1,800,237   1,800   1,7774   1,806   1,807,657   1,800,237   1,800   1,7774   1,806   1,807,657   1,800,237   1,800   1,7774   1,806   1,807,657   1,800,237   1,800   1,7774   1,806   1,807,657   1,800,237   1,8	• · · · · · · · · · · · · · · · · · · ·	91,258	91,278	-	•	•	-	•	-	4	• 1
21 REGILAR 2.0M;199 2.059,528 7.242,921 9,837,525 8,441 8,100 9,521 8 9,009 9,532 9,009 9,		****							970	2,678,006	
TOTAL COMMERCIAL   2,332,757   2,357,576   10,136,865   9,767,060   9,432   9,069   9,532   9, 60   9,532   9, 60   9,532   9, 60   9,532   9, 60   9,532   9, 60									8,177	7,251,343	2,618,007 8,965,702
23 AGGREGATE NONPROPTT: 24 MONIFICE EINI CARR RTE 44,975 44,980 212,980 201,788 185 182 185 25 NONPROPTT 412,486 413,235 1,339,791 1,334,443 1,524 1,513 1,527 1 26 TOTAL AGGREGA NONPROPTT 457,423 458,345 1,554,011 1,544,778 1,699 1,676 1,578 1,590 1 27 TOTAL STANDARD (A) 2,861,438 2,919,280 11,812,270 11,431,873 11,121 10,745 11,267 10 28 STANDARD MAIL (B): 29 PARCELS ZONE RATE 261,341 241,590 1,105,985 1,079,730 985 965 997 30 BOUND PRINTED MATTER 125,381 125,401 466,691 462,380 465 471 466 31 SPECIAL STANDARD 80,898 30,877 302,020 310 306 310 125,401 450,844 11,533 11,534 40,355 47,504 42 41 42 11,533 11,534 40,355 47,504 42 41 42 11,535 11,536 11,678,577 1,830,237 1,830 1,774 1,808 1									9,106	10,146,138	9,776,256
25 NONPROFIT 412,446 413,225 1,339,791 1,334,443 1,524 1,513 1,527 1 26 TOTAL AGGREG MONPROFIT 457,423 459,345 1,554,011 1,544,778 1,689 1,676 1,695 1 27 TOTAL STANDARD (A) 2,891,436 2,919,280 11,812,270 11,431,673 11,121 10,745 11,287 10 28 STANDARD MAIL (B): 29 PARCELS ZONE RATE 241,341 241,580 1,105,986 1,079,739 985 985 987 10 30 BOURD PRINTED MATTER 125,361 125,401 496,991 442,380 445 471 486 310 31 SPECIAL STANDARD 80,889 80,889 305,697 302,020 310 306 310 12 LIBRARY MAIL 11,533 11,534 49,395 47,504 42 41 42 13 TOTAL STANDARD (B) 450,101 450,844 1,975,657 1,800,237 1,803 1,774 1,806 1						·					1
TOTAL AGGREG NONPROFIT   457,423   456,345   1,554,011   1,544,778   1,689   1,678   1,578   1,580   1,745   1,267   10,745   1,267   10,745   1,267   10,745   1,267   10,745   1,267   10,745   1,267   10,745   1,267   10,745   1,267   10,745   1,267   10,745   1,267   10,745   1,267   10,745   1,267   10,745   1,267   1,267   10,745   1,267   1,									162	212,746	200,931
27 TOTAL STANDARD (A) 2,861,436 2,919,280 11,812,270 11,431,873 11,121 10,745 11,287 10  28 STANDARD MAIL (B): 29 PARCELS ZONE RATE 241,341 241,580 1,055,885 1,079,730 988 985 987  30 BOUND PRINTED MATTER 125,381 125,401 496,891 402,380 485 471 486  31 SPECIAL STANDARD 80,888 80,889 305,877 302,020 310 306 310  22 LIBRARY MAIL 11,533 11,534 48,385 47,504 42 41 42  33 TOTAL STANDARD (B) 450,101 450,844 1,975,857 1,800,237 1,803 1,774 1,806 1									1,516 1,679	1,341,318 1,556,704	1,335,950 1,546,467
28 STANDARD MAIL (S): 29 PARCELS ZONE RATE 241,941 241,980 1,105,886 1,079,739 986 985 30 BOUND PRINTED MATTER 123,361 123,401 400,891 442,380 445 471 486 31 SPECIAL STANDARD 80,880 80,880 80,880 305,877 302,020 310 306 310 32 LIBRARY MAIL 11,533 11,534 40,985 47,504 42 41 42 33 TOTAL STANDARD (B) 450,101 450,844 1,975,657 1,800,237 1,803 1,774 1,806 1									10,885	11,823,537	11,442,550
29 PARCELS ZONE RATE 241,341 241,980 1,105,986 1,079,739 986 985 987 30 BOUND PRINTED MATTER 125,361 125,401 405,091 462,980 465 471 486 31 37 SPECIAL STANDARD 80,888 80,889 305,677 302,020 310 306 310 32 LIBRARY MAL 11,533 11,534 40,385 47,504 42 41 42 31 TOTAL STANDARD (8) 450,101 450,844 1,975,657 1,800,237 1,803 1,774 1,806 1			2,51,52,600	(1,0122.0	1101010						
31 SPECIAL STANDARD 80,000 80,000 305,877 302,020 310 306 310 32 LIBRARY MAL 11,533 11,534 40,355 47,504 42 41 42 31 TOTAL STANDARD (8) 450,101 450,844 1,975,657 1,800,237 1,803 1,774 1,606 1		201,341						967	956	1,106,953	1,080,665
12 LBRARY MAL 11,533 11,534 46,355 47,504 42 41 42 1,005 1 1,006 1 1,007								466	472 306	497,177 305,967	462,862 302,326
32 CARROLL STANDARD (8) 450,001 450,844 1,975,857 1,830,237 1,900 1,774 1,806 1	1					•			41	48,397	47.545
3 10742 5100000 2									1,777	1,977,463	1,932,014
	US POSTAL SERVICE			.,5.5,65	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	420	420		420	420	420
35 FREE MAIL 14,912 14,914 40,322 40,368 55 55 55									35	40,376	40,423
30 MI DOUGHT CHARLES AND A STATE OF THE STAT		261,520	261,582	1,575,169	1,531,016	942	914	943	914	1,576,112	1,531,931
37 SPECIAL SERVACES: 37,000 37,000 30,001 65,007 100 96 100		7,	37 000		85,247	400	sati	103	96	\$9,461	85,463
38 REGISTRY 37,008 37,008 40,361 55,007 100 40 100 100 100 100 100 100 100 100		****	+··•						113	586,287	548,782
40 BISLINANCE 1,764 1,765 78,305 76,780 7 7 7						7				76,313	76,787
4f COD 557 558 15,129 15,016 2 2 2 2		557	558	15,129	15,016	2	2	2 1	2	15,131	15,017
42 SPECIAL DELIVERY 1 1 1 1 15 15 15 15 15 15 15 15 15 15 1	1	ا نند ا	اا	1	1	ا م	ا <i>ي</i> : ا	48	14	224,845	217,478
1 to more than the state of the		3,510	3,655				.**	15	<b>"</b>	3,444	3,444
44 STAMPED CARDS - 3,444 3,444 - 6 6 STAMPED ENVELOPES 117 122 12,549 12,551 0 0 0		1,17	122			ا م	o	6:	0	12,549	12,551
46 SPECIAL HANDLING 465 485 2,492 2,490 2 2 2						ž		_		2,493	2,491
47 POST OFFICE BOX 2,753 2,867 566,677 980,449 11 10 11	POST OFFICE BOX								11 158	598,698 f 138,956	590,480 139,133
48 OTHER 41,338 41,339 138,799 138,975 157 158 157 49 TOTAL SPECIAL SERVICES 119,576 119,842 1,796,467 1,734,743 415 401 416	LANGE								136 402	1,796,902	1,735,145

### **DECLARATION**

I, Nancy R. Kay, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

May like

Dated: 4-5-00

### **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Eric P. Koetting

475 L'Enfant Plaza West, S.W. Washington, D.C. 20260–1137 (202) 268–2992 Fax –5402 April 6, 2000